

**TOWARDS IMPROVING HOUSING
CONDITIONS IN NIGERIA:
THE IMPERATIVES FOR CONSISTENCY IN
POLICY IMPLEMENTATION**

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INTRODUCTION

Nigeria, the most populous black nation on earth, with a population of over 140 million people, has a rapid rate of urbanization. The dawn of the 21st century found Nigeria with an estimated urban population of more than 43% coupled with very high urban growth rate, which is expected to raise urban population to about 65% by the year 2025 (National Urban Development Policy, 2006). The implications of such urban growth are often manifested in increased poverty, environmental degradation, traffic congestion, housing overcrowding, crime and homelessness. This has also led to the problem of inadequate housing for the populace.

The National Housing Policy (NHP) defines housing as the process of providing functional shelter in a proper setting in a neighborhood supported by sustainable maintenance of the built environment for the day to day living and activities of individuals and families within a community.

The NHP 2006 has a goal of ensuring that all Nigerians own or have access to decent, safe, and healthy accommodation at affordable cost. From the pre-independence era to now, Nigeria has been unable to meet its housing demands and if anything, the demands have increased (National Housing Policy, 2006). Other issues relating to land are the high cost of purchasing, processing and registration. It has been estimated that about 85% of the urban population live in single rooms, often with eight to twelve persons per room (Urban Development Policy, 2006). Efforts at providing low-cost rural housing have been minimal, despite the creation of the Federal Mortgage Bank of Nigeria in 1977. In 1977, Nigeria introduced the Federal Mortgage Bank of Nigeria. The provision of long-term credit facilities to mortgage institutions in the country; the encouragement and the supervision of the activities of mortgage institutions; provision of long-term loans to individual and property developers for house building, produce saving facility, carry out research on mortgage finance. This bank was intended to be a major step towards providing solutions to the housing deficiency problem by making funds available for the creation of housing stock to prospective interested home owners. Unfortunately, thirty-one years later, we are not much closer to attaining the goal of Housing for All.

The Federal Government is expected to make a financial contribution to the Federal Mortgage Bank (FMB) of 2.5% of the total capital budget. These funds are to be placed in the National Housing Trust Fund and 40% of these funds are to be made available for housing for the poor and low income earners. From the budget of 2008, no contribution was made to the Federal Mortgage Bank. However, at committee level, a contribution of 300 million was made to the FMB. This amount is far less than the 2.5 %. 2.5% of the capital budget should have amounted to over 22.5 billion naira.

This research will suggest ways in which an orderly, proper and affordable housing delivery

system can be developed on a sustainable basis in Nigeria.

THE STATE OF HOUSING IN NIGERIA AND THE NIGERIAN HOUSING POLICY

The United Nation's target of "Housing for all by the Year 2000" expired eight years ago and still statistics indicate that Nigeria has a housing deficit of 14 million units (NHP, 2006). The major reasons provided by housing experts for the country's inability to realize this target include lack of an enabling environment, dearth of housing finance and anti-housing laws.

Unless the problem of how to finance the construction of housing for all income groups is effectively addressed, the housing problem is bound to further escalate. The International Organization for Migration states that it will require about 4million naira to build a 3 bedroom house in Nigeria.

The National Housing Fund (NHF) which was put in place during the regime of former President Ibrahim Babangida to provide funds to those who want to build or buy their own houses has failed to solve the housing finance problem. The loans that were to enable the income earners of all levels are not readily available despite the monthly contributions being made by income earners.

The enormity of the housing problems in the country is such that the government alone cannot handle it, hence it must create the enabling environment for private developers to come in and build for the middle and upper income class while it (government) concentrates on providing shelter for the low income earners.

One may perhaps be tempted to ask why emphasis is being placed on housing. Firstly of all man's basic needs, housing arguably, constitutes and indeed poses the greatest challenge.

Secondly, a vigorous and buoyant housing sector is an indication of a strong programme of national investment and is indeed the foundation of and the first step to future economic growth and social development.

The gross housing delivery is therefore a major factor in the nation's gross domestic product (GDP) and indeed this reflects the mirror and the barometer of the state of health of the Nation. When majority of the populace have access to decent and affordable housing, then that becomes a strong indicator that the nations economy thrives well.

According to Akeju (2007), if we take the current population of 140 million Nigerians as reported by the National Population Commission after last year's census exercise and assume 30 percent of the population as working adults we have 42 million estimated working adults; assuming about 45 percent or 18.9 million of the working adults qualify for mortgage loans, and assume an average house final selling price at about 2.8 million naira for a 2-bedroom flat, the possible

size of the mortgage market is close to 53 trillion naira.

Looking at the statistics we see that there are tremendous opportunities in the Nigerian housing sector waiting to be tapped. We should note that the government alone cannot fill the housing gap by itself. In order to fill the gap we would have to leverage on the resources available in the private sector, while also encouraging foreign investment. Government (Federal, State and Local Governments) should focus on providing a favourable investment climate, infrastructure, and mortgage finances to first time home buyers and low-to middle income families. We must however, note that there are challenges to harnessing the huge potentials inherent in Nigeria's housing sector, and invariably providing affordable housing in Nigeria.

EXPERIENCE FROM OTHER COUNTRIES

THE UNITED STATES

The United States' **Federal National Mortgage Association (FNMA)**, commonly known as **Fannie Mae**, is a privately owned and run Government Sponsored Enterprise (GSE). It is a stockholder- owned corporation authorized to make loan guarantees. It is the leading market-maker in the U.S. secondary mortgage market, which helps to replenish the supply money for mortgages and enables money to be available for housing purchases. As of 2008, Fannie Mae and the Federal **Home Loan Mortgage Corporation (Freddie Mac)** owned or guaranteed about half of the U.S.'s \$12 trillion mortgage market. Recently, the U.S. Government signed a Bill into law that would relieve 400,000 home owners who are struggling with mortgage payments. This bill also brought stability to the mortgage market because it simply allowed the home owners who could not afford to make their payments to refinance into more affordable government backed loans rather than lose their homes. Obviously we do not have a mortgage system that can be compared to that of the United States because the U.S. had been in existence for about 40 years before ours was set up. We can however, take appropriate steps to ensure that our Federal Mortgage Bank and other Primary Mortgage Institutions grow by providing the necessary support through finance.

RUSSIA

Russia as the Soviet Union was faced with a huge housing deficit in the years following the 1st world war. This led to the Russian Government engaging in mass construction of housing units in the 1930s, most of the housing stock was mainly state owned. The Government owned as high as 90% of the housing stock in the major cities. In 1991, the nation embarked on the privatization of housing through a free privatization that allowed tenants to claim ownership of their apartment free of charge. Since the Government was the landlord, it had to be prepared to accept whatever losses it incurred in the privatization process.

In later years, the Government introduced the housing allowance programme. It was implemented to provide housing subsidies for poor households. However, it was practiced differently in different parts of the country which led to its failure.

In 2005, a new legislation was effected that provided affordable housing for the middle class and social housing for the poor. It also sought to improve the mortgage market by making loans available to more people at lower interest rates and longer payment times. The housing in Russia has improved as a result of this bold step taken.

CHALLENGES OF THE SUCCESSFUL IMPLEMENTATION OF THE NATIONAL HOUSING POLICY

Problems or obstacles to providing adequate decent and affordable housing in Nigeria as enumerated by (Akeju, 2007) include but are not restricted to;

1. Legislation

The Land Use Act of 1978 which vests all land in the government is an obstacle to making land available for housing development. The Government possesses the power to decide what use any parcel of land goes into and what to do with its inhabitants.

2. Delay in Registering Property

According to the World Bank's report "Doing Business in 2007 - How to Reform", Nigeria's reforms have led to a reduction in the time required to complete the process of property registration from 274 to 80 days, but a lot still needs to be done because it takes only 1 day in some other countries such as Norway and Singapore. We should however note that part of the reduction in time is likely as a result of improvements in property registration which has been implemented in Abuja and Lagos.

3. Low Risk Appetite of Financial Institutions

Unfortunately in Nigeria there is no mechanism for risk sharing that will encourage banks and other financial institutions to extend mortgage loans to people at the lower income level. Due to the absence of a credit information database that financial institutions provide information to and can get the credit history of all individuals from, Nigerian financial institutions settle for lending to the rich.

4. Unstable Macroeconomic Environment

A stable macroeconomic environment is necessary to providing affordable housing. Lenders, investors, and borrowers prefer a stable economy where decisions can be taken without any apprehension. Inflation should be kept at manageable levels (preferably single digits), interest rates must tend downwards, and other macro variables should be stable. As inflation and

interest rates decline, banks and pension funds will be encouraged to look less toward government securities and more towards the private sector to invest their assets.

5. Delays in obtaining Licenses

According to the Doing Business in 2007 report, in getting a license such as construction permits or approvals in Nigeria it takes 16 procedures which take an average of 465 days. There are usually delays in receiving permits for construction. The procedures are complex and expensive.

6. Absence of Means of Enforcing Contracts

According to the Doing Business in 2007 report, there are 23 procedures taking an average of 457 days and account for 27 percent of the claims to be received in enforcing contracts in Nigeria. The absence of a foreclosure law has been cited by some investors and local banks as the reason for not investing in the housing sector.

7. High Cost of Building Materials

A key factor that has led to the high construction cost in Nigeria has been the restriction on the importation of cement, which by account constitutes about 40 percent of building materials, if not more. While Nigeria does not produce enough cement domestically to meet demand, imports have been restricted and subject to a process of quota allocation.

8. Lack of Infrastructure

Another major challenge to providing affordable housing is the lack of primary infrastructure such as roads, water, electricity etc, which accounts for about 30 percent of housing costs. In most cases developers have to provide the infrastructure which invariably increases the cost of the houses they produce thus making such houses unaffordable.

9. Rapid rate of urbanization

According to the National Urban Development Plan, Nigeria has a current urban population of 49 million (43.8% of total population) and an urbanization rate of 5.8% per annum. This is expected to raise urban population to about 65% of the total by the year 2025. The implications of such urban growth are often manifested in increased poverty, environmental degradation, traffic congestion, housing overcrowding, crime and homelessness.

10. Other Factors

These other factors will include poverty and unemployment. For instance, an unemployed person would not be able to apply for the housing loans because he is unable to make any contribution of 2.5 % of his salary to the National Housing Trust Fund. What becomes of such a person?

CONCLUSION

It is possible for the goal of providing affordable housing to be achieved. It will take time but with consistency and dedication, the goal of the National Housing Policy can be attained. Currently, as a short term measure, the policy aims to ensure a minimum of 40000 housing units are built annually. Of course, for housing to be available to all there needs to be more housing units built annually. This is a start. Necessary ingredients have to be put in place such as a properly funded and organized department for data collection on the contributors to the National housing scheme. The data collected for this purpose should be stored in a computerized data bank and made available to institutions that can provide housing loans to contributors. Investors can work in difficult environments in the short-term if there is convincing evidence that reforms that will improve the investment climate will be implemented as quickly as possible. Though a noble venture, government should not take on the responsibility of building houses because experience has shown that it is unsustainable in the long-run. Lastly reconsideration of the restriction on the importation on building materials should continue, and we must conduct more research on how we can use local building materials.

RECOMMENDATIONS

- Private sector participation should be encouraged by way of providing loans with low interest rates
- Policies and budgets should be based on rights and the needs of the populace rather than on political system. A great deal of progress can be made if the rights based approach to budgeting is employed.
- The total cost of construction should be reduced by introducing policies that will bring about the reduction of the cost of building materials especially cement which constitutes about 40% of the total cost of materials
- A severe battle against corruption should be launched to ensure that the funds meant for poor and low income earners housing are used for that purpose.
- There should be a revitalization of the Mortgage market in Nigeria by looking at countries like Russia and United States as examples of how a viable housing sector is built. The Federal Government should be swift to fulfill it's obligations to the Mortgage Bank
- The problems of land availability and other issues raised by the National Urban Development Policy should be tackled because they have a bearing on the

implementation of the NHP.

- Consideration should be made on some local and traditional materials that have been researched on. By employing these materials, the overall cost of construction can be reduced
- There should be a frame work for monitoring and evaluating the plans of the NHP.
- A time frame needs to be put in place for the actualization of the housing for all. For instance, since the housing target of Nigeria is 14 million units, a 50 year plan can be made to build annually 280000 units pf housing. This time frame creates a benchmark for the vision to housing for all to become a reality.
- The Nigerian Federal Housing Authority (FHA) could be restructured to become the government sponsored entity that will be responsible for providing mortgage insurance while the Federal Mortgage Bank of Nigeria (FMBN) can pool the insured mortgages and sell them in the capital market to provide liquidity.
- The present method of funding infrastructure projects through the annual budgets only results in having uncompleted projects when revenues fall short of expectation as has been the experience in nation's history.
- In order to reduce the traffic congestion and housing overcrowding, it would be best to decentralize offices in urban areas. Organizations can establish branches of their offices in the satellite towns. This will reduce the number of workers who have to commute to work.

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